

Class Starters & Enders

Making the Most of Instructional Time Five Minute Lessons

Class Starters and Enders help utilize the last minutes of class when a lesson ends but there is not enough time to start another, or for an interest approach at the beginning of class. Mini-lessons correlate to GPS in the programs areas below.

Force Majeure

Program Areas: All CTAE Programs

Instructions: Read the material and make notes of important points, answer questions, and be ready to discuss this topic.

Force Majeure is a French term meaning "superior force". It is a common clause in contracts which frees both parties from **liability** or **obligation** when an extraordinary event or circumstance occurs that is beyond the control of the parties. Examples are war, a labor strike, riot, crime, or "**acts of God**" such as floods, earthquake, and hurricanes. Such events prevent one or both of the parties in the contract from fulfilling their obligations. As can be imagined, many people wishing to get out of a contract try to find something that could be classified as Force Majeure to cancel the contract. These situations arise in courts on a regular basis. For example, if a supplier has a contract to provide gasoline for \$2 a gallon for two years to gas stations and the cost to the supplier goes to \$4 a gallon because of war in the Middle East, the supplier will try to use Force Majeure to get out of the contact.



The importance of the Force Majeure clause in a **contract** is that it relieves a party from an obligation under the contract when certain special circumstances beyond their control exist. Suppose a hurricane destroyed the processing plant when the owner had a contract to deliver a product. The company with whom he had the contract might sue the owner and ruin them financially for not delivering the products on time. In this case the Force Majeure clause protects the producer because they had no power to stop the hurricane.

Examples of Force Majeure Contract Clause:

"Neither party shall be liable in damages or have the right to terminate this Agreement for any delay or default in performing hereunder if such delay or default is caused by conditions beyond its control including, but not limited to Acts of God, Government restrictions (including the denial or cancellation of any export or other necessary license), wars, insurrections and/or any other cause beyond the reasonable control of the party whose performance is affected."

In 2009, the H1N1 Flu virus posed a major threat to the health of people around the world. H1N1, also known as the swine flu, is the most deadly flu since the Great Influenza of 1918, which killed millions of people. The labeling of the H1N1 virus as Swine Flu was incorrect and created a very unfortunate situation for hog producers. People were under the misconception that they could catch Swine Flu from eating pork. Although this belief was completely false, many people stopped buying pork. This caused hog prices to plummet. As a result, prices for pork in the supermarket fell, and the packer had to pay more for the hogs than they get for the pork. The packing houses had long-term contracts with growers to pay them a certain price for their hogs. The packers tried to break their contracts with the farmers by invoking the Force Majeure clause of the contracts. If the farmers lost their contracts, the prices they would get for their hogs would be much lower than it had cost to produce them. In cases where a contract is cancelled due to Force Majeure, one party may benefit while the other party involved may lose.

Review

1. Define Force Majeure.
2. Why is it important to include a Force Majeure clause in a contract?
3. Explain the circumstances under which a Force Majeure clause in a contract can be invoked.
4. Can swine flu be contracted by eating pork?
5. In this case, the pork packing houses contracted with farmers to buy hogs at a specified price. After the H1N1 (swine flu) scare, pork prices fell and packers want the court to release them from their contracts with the producers because of low pork prices in the stores. If the court allows the contract to be broken the farmers may be forced out of business. If the court does not allow the contract to be broken then the packers will lose money and may be forced out of business. What should be the ruling of the court in the Swine Flu case? Explain your opinion.

Language Connection

Define the following terms:

Force Majeure	Liability	Obligation
"Acts of God"	Contract	

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